

<p align="center">2003-2004 ANNUAL REPORT</p>

CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

Building and Structure Construction Tax Fund

The Building and Structure Construction Tax is a tax on residential, commercial and industrial development. The use of these funds, along with grant revenue, is restricted to traffic capital improvements on major arterials and collectors, including bridges, culverts, lighting, and traffic control systems that increase traffic volume.

***Building & Structure
Construction Tax
Fund***

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 12,475	\$ 13,487	\$ 1,012	8.1%
<i>Expenditure</i>	59,683	37,561	22,122	37.1%
<i>Fund Balance (est. *)</i>	19,809 *	27,088	7,279	36.7%

Total revenues of \$13.5 million include receipts from the Building and Structure Construction Tax, grants from the federal government for various Intelligent Transportation Systems projects, developer contributions, reimbursements from the San José Redevelopment Agency, and interest earnings.

The positive revenue variance (\$1.0 million) was primarily due to stronger than anticipated receipts for the Building and Structure Construction Tax (\$1.7 million), combined with project delays that impact the timing of reimbursements from other agencies. Building and Structure Construction Tax receipts remain impacted by the economic downturn that hit Silicon Valley in 2000-2001. At \$9.0 million, receipts in 2003-2004 were 16.4% (\$1.8 million) lower than 2002-2003 collections (\$10.8 million); however, they did outperform the deliberately conservative 2003-2004 estimate of \$7.3 million by \$1.7 million.

In addition, delays in certain projects contributed to delays in reimbursements from other agencies. The largest of these were delays in two Intelligent Transportation Systems (ITS) projects that are reimbursed by federal grants. The ITS: Enhancements project was delayed by National Environmental Policy Act environmental clearance issues and by long cycles between the time at which consultants performed work and the time at which they billed the City, a step which is necessary before the City can compensate them and then file for grant reimbursement (negative variance of \$362,000). The ITS: New Civic Center Traffic Management project was

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delayed by additional time required to coordinate with all participating partner agencies and coordinating ITS equipment with video implementation development (negative variance of \$217,000).

Similarly, revenue from the federal Seismic Bridge Retrofit grant (\$199,000) was not received in 2003-2004 due to project delays. Work on retrofitting the bridge at Tully Road will be completed and final reimbursements received in 2004-2005. Many of these delays were anticipated, and revenue for four projects was rebudgeted into 2004-2005 as part of the Adopted CIP (\$378,000). The total negative revenue variance was partially offset by higher than anticipated reimbursements from the Santa Clara Valley Water District for their share of the costs associated with improvements to Foxworthy Bridge (positive variance of \$183,000).

Unexpended project funds resulted in a \$22.1 million positive variance in budgeted program expenditures. Almost all of these funds have been rebudgeted into 2004-2005 or will be recommended for rebudget within this document to ensure sufficient funding for projects in 2004-2005. It should be noted that the 2003-2004 expenditure estimates used to develop the 2005-2009 CIP varied from actual year-end results by a much smaller \$5.9 million. The variance between budgeted and actual expenditures was caused primarily by the following projects with significant expenditure variances (\$000's):

Oakland Road: Route 101 to Montague	\$ 3,346
Route 880: Stevens Creek Interchange	2,140
Lester Property Area Street Improvements	1,716
Senter Road: Singleton to Monterey	1,586
VTa: Bailey/101 Improvements	1,520
Berryessa Road: Route 101 to Coyote Creek	1,437
Senter Road: Tully to Singleton	1,323
Willow Glen Way: Guadalupe River Bridge	1,143
North San José Traffic Mitigations	774
Hostetter Road: Sierra Creek to Stone Creek	651
Quito Road: Saratoga to Bucknall	481
ITS: Traffic Incident Management Center	475
King Road: 200 feet South of Barberry	459
Route 87: Caltrans Design and Construction Support	398
King Road: Berryessa to McKee	397
Route 87: Consultant Support	391
Bailey Avenue Above-Grade Crossing at UPRR	355
Oakland Road at Coyote Creek: Bridge Mitigation	<u>317</u>
Total	\$18,909

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Following are descriptions of the projects' variances:

- The Oakland Road: Route 101 to Montague project was deliberately delayed in order to utilize in-house staff to do the final design instead of contracting the work out to a consultant as originally planned.
- The Route 880: Stevens Creek Interchange funding that was to have been transferred to the Valley Transportation Authority (VTA) in 2003-2004 will now be transferred to the VTA during 2004-2005 subsequent to approval of the cooperative agreement.
- The Lester Property Area Street Improvements project was slowed pending the expected donation of a large parcel of land to the City. The City welcomes this generous donation and is working to finalize the transaction in a timely way.
- The Senter Road: Singleton to Monterey project required design modifications as a result of field conditions encountered after the project was scoped.
- The VTA: Bailey/101 Improvements project funding was not fully expended in 2003-2004 because, for technical reasons, funding from bond proceeds was required to be spent before funding from the Traffic Capital Program. As a result, the balance of Traffic CIP funds will be recommended for rebudget into 2004-2005 to support continued work on the project.
- The Berryessa Road: Route 101 to Coyote Creek project was re-scoped to avoid complicated right-of-way design issues and expensive land acquisition. The resulting 2003-2004 savings were approved for rebudget in the Spring Clean-Up to ensure sufficient funding for the project including possible modifications required by the re-scoping process, and potentially to provide funding for traffic calming and street sealing investments in the project area.
- The Senter Road: Tully to Singleton project funding had savings due to the delay of land acquisition caused by design modifications. The land acquisition is anticipated in 2004-2005.
- The Willow Glen Way: Guadalupe River Bridge project provides reimbursements to the Santa Clara Valley Water District for work associated with the bridge. The Water District is managing the construction and they postponed award of the project due to community concerns regarding the design.
- The North San José Traffic Mitigation project was delayed due to site selection and scoping issues.
- The Hostetter Road: Sierra Creek to Stone Creek project was largely completed in July 2004. The remaining funds will be used to close out the project and for traffic calming features.

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- The Quito Road: Saratoga to Bucknall project funding in 2003-2004 was largely for acquisition of property. The acquisition did not occur as scheduled due to redesign of the project to reduce the amount of property required for the improvements. Funding has been rebudgeted to 2004-2005 to continue the project.
- The ITS: Traffic Incident Management Center project was delayed due to the need for coordination with partner agencies including coordination to ensure equipment compatibility across partner jurisdictions.
- The King Road: 200 feet South of Barberry project award was delayed by land acquisition activities.
- The Route 87: Caltrans Design and Construction Support project expenditures were also delayed by changes in project scope for the Route 87 local street mitigations and improvements to Airport Parkway/Technology Drive and First Street/Skyport Drive.
- The King Road: Berryessa to McKee project was delayed by environmental permitting issues that have also delayed the King Road: Penitencia Creek Bridge project as reported to the City Council in an ongoing basis in the CIP Action Team Quarterly Status Reports.
- The Route 87: Consultant Support project expenditures were delayed by changes in project scope for the Route 87 local street mitigations and improvements to Airport Parkway/Technology Drive and First Street/Skyport Drive.
- The Bailey Avenue Above-Grade Crossing project's funds were originally programmed to be fully expended in 2003-2004 to support the design and construction of a four-lane bridge over Union Pacific Railroad tracks and Monterey Road. In fact, only about 60% of the costs were expended in 2003-2004 due to revisions in project schedule, and the balance of the project funds will be used in 2004-2005 to support continued work on the above-grade crossing. The project itself was awarded in June 2004.
- The Oakland Road at Coyote Creek: Bridge Mitigation project was rebid due to unresponsiveness from the apparent low bidder and funding has been rebudgeted to 2004-2005 to continue work on the project.

The remaining variance (\$3.2 million) reflects unexpended funds in a number of projects with balances of less than \$300,000.

The 2003-2004 ending fund balance variance of \$7.3 million is the result of higher than estimated revenues (\$1.4 million) combined with lower than estimated expenditures (\$5.9 million). Most of these expenditure savings (\$4.7 million) are recommended for rebudget as part of this report to provide sufficient funding for projects in 2004-2005.